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DE RUEHMO #0722 0741523
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FM AMEMBASSY MOSCOW
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7147
INFO RUEHKV/AMEMBASSY KYIV IMMEDIATE 0219
RUCNCIS/CIS COLLECTIVE PRIORITY
RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RUEHXL/MOSCOW POLITICAL COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RHMFISS/DEPT OF ENERGY WASHINGTON DC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY

C O N F I D E N T I A L MOSCOW 000722

SIPDIS

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DEPT FOR EUR/RUS, FOR EEB/ESC/IEC GALLOGLY AND WRIGHT
EUR/CARC, SCA (GALLAGHER, SUMAR)
DOE FOR PI - FREDRIKSEN, HEGBURG, EKIMOFF
DOC FOR 4231/IEP/EUR/JBROUGHER

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TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [RU](#)
SUBJECT: RUE HEAD EXEMPLIFIES COMPANY'S LACK OF TRANSPARENCY

REF: A. MOSCOW 715
[1](#)B. ASTANA 494

Classified By: Econ MC Eric Schultz for Reasons 1.4 (b/d)

FEW DETAILS ABOUT RUE

[1](#)1. (U) As we reported in ref A, the latest deal reached by Gazprom and Ukraine's NaftoHaz regarding the turbulent Russia-Ukraine gas trade has left unanswered important questions. One of those is the future of intermediary RosUkrEnergo (RUE). RUE, 50% owned by Gazprom and 50% owned by Ukrainian businessmen Dmitriy Firtash (45%) and Ivan Fursin (5%), was created following the 2006 Russia-Ukraine gas row. Its nominal role is to buy relatively cheap gas originating in Central Asia and sell it to intermediary UkrHazEnergo (UHE), of which it is a 50-50 owner with NaftoHaz. (Note: UHE will reportedly be eliminated from the gas trade as a result of the current agreement. End note.) In an attempt to gain further insight into the fate of RUE, we met on March 13, prior to the announcement of the new deal, with RUE Executive Director (and Gazprom General Counsel) Konstantin Chuychenko.

[1](#)2. (C) Chuychenko implied that RUE would not be replaced by a new entity but would merely be turned into a 50/50 joint venture between Gazprom and NaftoHaz Ukrainy. However, other than that small substantive detail, Chuychenko revealed almost nothing else about RUE or the gas trade with Ukraine. He repeatedly declined to comment on any details of the negotiations with Ukraine, referring us instead to Gazprom's press spokesman. As to the role and structure of RUE, Chuychenko referred us to the company's website: "it's all there." He also described the finances of RUE as "fully transparent." He emphasized that all monies flowing into RUE and Gazprom from the Ukrainian gas trade are "audited by PricewaterhouseCoopers," and referred us again to the company website. (Note: The RUE website is one of the thinnest we've seen for any company of any size, revealing almost no details about the business.)

COMMENT

[1](#)3. (C) Chuychenko was a perfect representative of RUE. He

seemed like a man who had received instructions to reveal nothing and who was very comfortable in that role. Our meeting with him helped confirm that RUE has little interest in revealing its inner workings. Although the company's future was not addressed in the latest agreement with Ukraine, that future could very well hang on Central Asia's reported 2009 price increases for its gas (ref B). If Central Asian prices reach market parity levels, the remaining utility to Gazprom of entities like RUE would appear very limited.

BURNS